The Impact of Internet Banking Service Quality on Customer Satisfaction

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Abstract – With the integration of markets and increasing trends of globalization world over, no any nation whether big or small, developed or developing, can ignore what is happening around. India being of the most promising emerging markets, cannot ignore these globalization trends. India has definitely an edge over its competitors in the area of Information Technology (IT). Information technology has given a new shape to the financial sector in general and banking industry in particular and the most beneficial sectors due to the adoption of IT enables services. The technology plays a major role in the efficiency of operations and also provides the competitive edge for the success of banks. As far as India banking industry is concerned, it can be said that although the Indian banks may not be as technologically advanced as their counterparts in the developing countries, they are following the same standards as the overseas banks in the IT front.

Keywords – Banking industry, Infotrends, Integration, E-Banking

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INTRODUCTION

Indian banks irrespective of the size, pattern of ownership, business mix and like can be placed into five categories in terms of level of technology. There are banks that are not having computers at all and all operations are undertaken manually. There are some, which have advanced ledger-posting machines (ALPMs). The next category includes those having stand-alone computer either for all operations or for a part of them. In the quest to computerize 75% of the business, some public sector banks have done IT upgradation only at key branches.

In the last two decades all foreign banks and many newly established private sectors banks have fully computerized all their operations. Due to these technological changes in the banking industry, it is imperative to take account of the trends in information technology at international level and also compare these trends with Indian banks. All the trends are then analyzed to see the standing position of Indian banks or banks operating in India.

IT CONSIDERATION

Since the early 90s, all the Indian banks have done some efforts to improve its IT enabled services. The first and foremost compulsion was the fierce competition. Each bank started making changes in their IT enabled services to meet the expectations of customers. While deciding on the required architecture for the IT, consideration is given to the following realities.

1. Extending customer service that is timely, accurate, flexible and innovative

With the rise in competition, addressing to customers' problems and expectations is the most significant agenda of every bank. In case one bank is unable to provide the required service at a competitive price and with speed, there is always another bank next door waiting to lure the customer. Customers awareness about various e-banking services and their pricing is also another concern which has to be focused for customer satisfaction. Again, uniform service at similar price is required to be extended at all branches. IT-driven marketing capabilities have become the key determinant of business success.

2. Meeting internal requirements

Management information system for decision support is also to respond to the regulatory authorities is of significance to banks. The requirements of the banks are different from bank to bank and branch to branch. Many a times, banks do have the required information but it is scattered. At the operation level, there is a generic aversion to submit the information due to its repetitive nature. The necessary architecture is to be based on the requirements of the banks.

3. Creative support for new product development

There is a need for constant innovation in the banking sector. This requires product development and differentiation, micro-planning, marketing, prudent pricing, customization, technological upgradation, effective risk management and asset liability management techniques. Cross selling of products is considered as the beneficial strategy. Having full-fledged information of existing customers is the key for this purpose. The bank has to ensure that the products cover all segments of the population and provide an incentive to adopt these products and services.

4. End user development with IT vision

RBI has also been guiding the banks to deal with new technology. It has given its comprehensive IT Vision in these words "Enabling IT as a Strategic Resource for Enhancing Enterprise Knowledge, Improving Customer Service, Strengthening Governance, Increasing Overall Efficiency and Ensuring Environment Friendly Systems" (IT Vision of Reserve Bank of India, 2011-2017). Banks are required to follow this vision in their policies and strategies to have the optimum benefits of technology.

5. Effectiveness in data handling

The banks have to handle the data of their customers very carefully. Today is the era of computerization. Many cyber security measures have to be followed to save the data of customers. Because, once this data will be leaked, it can affect the savings of millions of people and also loose the confidence of its customers. Handling of huge volumes of data and making the same available as and when necessary to those authorized to have access to such data/information is the key in deciding the architecture.

INFOTRENDS

In the financial sector world over, certain trends have visualized. They are as follows:

1.   Prospering in down market

2.   Leading to downsizing

3.   From solo to partnership

4.   Integration

5.   Outsourcing

6.   Transforming data into knowledge

7.   Distinctive edge

8.   IT as profit center

These trends in the context of Indian banks have been discussed in the following paragraphs.

1. Prospering in down market

The trends suggest that when there is a down turn in the market place, pro-active corporation take the benefit of available unutilized resources to upgrade and revisit technology issues. This is seen as the right time to establish the R & D center for IT. There are false notions about technology and its capabilities. Some misconceptions include (a) best fit possible technology be implemented, (b) system solution is good enough and there is no need to look into user expectations, (c) innovations are generally successful, (d) success is related only to novel ideas, (e) technology is the sole determinant of business success and (f) measures and standards i.e. audit and inspection issues stand in the way of innovation. The time available to debate on similar issues is ample and these false notions get clarified during the down market. Eventually, the decision makers reach a consensus that IT is not a panacea but it is an enabler that too when well supported by BPR(Business Process RE-engineering), human resources initiatives, physical infrastructure and responsive organizational set up.

The competition from new private sector banks is severe. The repeated lowering of interest rates on deployment is not helping increased credit off-take. It is difficult to retain the existing price-sensitive customers leave alone getting new ones. Major banks have commenced the process of looking for a universal banking solution. Progressive ones like Bank of Baroda have set up technologically equipped integrated treasury operations. Mid-size banks like Syndicate Bank have already lined up the solutions for core banking. As such, the trends visible internationally are seen in Indian banks as well.

2. Leading to downsizing

The IT initiative is making the organizations lean and flat. The perception about this type of downsizing is varied. The human resources functionaries seen this as staff reduction. Such an exercise involves cutting down the reporting levels in the organizational set up. For IT functionaries, downsizing means transferring computing power from mainframe to the personal computers and workstations. Downsizing is a typical issue faced with associated problems. Absence of top management commitment, lack of understanding of the prevalent IT infrastructure, doing too much too fast and undertaking the exercise without a framework for controlling the downsizing operations are primarily the situations that create adversities in the downsizing. In any case, the trend of downsizing is very much existent in the IT environment.

A look at the Indian banks would reveal that efforts are made by them to reduce the layers in the organizational set ups. The number of regional offices are being reduced so also the number of zones. The movement is from a four-tier to three tier structure. The span of control of the administrative offices is being expanded. Bare minimum staff is provided to them by putting more people on actual operations. Voluntary retirement schemes have also contributed to these compulsions. As regards IT, erstwhile arrangement of ALPMs at branches and mainframe at the corporate office is being replaced by universal banking solutions with centralized data center and inter branch connectivity. These developments are in line with what is happening internationally.

3.   From solo to partnership

With the development of IT, two things are taking place simultaneously. The work force as a percentage of total staff is going down and spending on IT as percentage of total spending is going up. In countries like Japan, the approach is collaborative whereby the IT vendors and the banks are coming together as partner. The forms of partnership can including binding by superior service, accommodation in service sharing network, equal partnerships and situations where survival is threatened. At times the partnership becomes necessary to get out of areas where there is no competitive advantage. Low development costs or wider geographical coverage are the aspects that create such partnerships. Instance are not infrequent where joint ventures have been formed with the IT vendors.

In India, these trends are not visible. Mergers have started in banking industry with Times and HDFC banks as also Bank of Madura and ICICI bank. The one between UTI bank and Global Trust bank has not materialized. In public sector, Punjab National Bank has acquired New Bank of India. However partnering with IT vendors is yet to take roots in the Indian banking industry in a big way. Banks do have equity holding in IT and technology companies but such investment is more from the Treasury perspective rather than partnering.

4.   Integration

Too many hierarchies give rise to coordination problems and at times even promoters in fighting. The result is overlapping, redundant and non-integrated systems and organizational set ups remaining unchanged for years together. One of the IT trends is moving from hierarchy to team approach. The purpose is to seek an alternative to retooling, to react speedily and to develop capabilities rather than necessary so as to address to prevalent situations like a) functions needing data and not getting from others, b) sending data to those who do not require them, c) redundancies within the functions and d) global data exist but do not travel to required

business functions. The integration process involves 1) assessment of environment, watching changes needed and their relationship with technology, 2) position taking inclusive of understanding of present technology, investment and mandating funds for future technology, discarding the financial accounting approach and the like and 3) policy formulation to detail the integration strategy based on organizational set up, culture, accounting practices and externalities.

Indian banks seem to follow this trend through the structure re-design as described earlier. Group is replacing the concept of division. Instead of vertically divided pyramid type organizational set ups, banks are not trying to have separate groups like Finance, International, Consumer Banking, Industrial/Commercial Credit and alike. The implication is the thrust that is placed on team rather than hierarchies. Banks are in the process of creating new positions like Chief Information Officer or Chief Financial Officer. Reduction in the tiers in the organizational set up, increased span of control facilitated by the technological aids, scanty manning of administrative offices i.e. defining the role of branch manager as the sales manager are all measures speaking of these initiatives.

5.   Outsourcing

Outsourcing is one of the most talked about as also a controversial issue. The drivers for getting into outsourcing are many to include, gaps in IT expectations and reality, demystification of computerization in general and IT in particular, trends towards focusing on core competencies, increased legitimacy of outsourcing and intention of getting out of worries and costs of up-gradation of hardware and software versions. Not that the practice is new, as earlier it was referred to as ' buying time ' or 'Service bureau'. What is needed is the clarity of purpose of outsourcing, besides a definite plan to be more competitive after outsourcing. It is necessary to have checks and balances to monitor vendor performance. Cost aspects merit consideration, as also a decision on the parts of the process to be outsourced shall be of significance. Exit route and procedure on account of failure after outsourcing are the other issues to be looked into. Notwithstanding these risks, outsourcing has come to stay.

The opposition to IT and computerization from trade unions is waning over years in Indian banks. However, there are labour laws that preclude banks from outsourcing the activities when the supports are available from within. Prior to IT offensive the banks had been outsourcing activities like data entry, but now the instances of such arrangement are infrequent. One reason is the lack of marketing efforts of the service providers, cost aspects and the hesitation of banks are account of possible resistance from the unions.

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In any case, outsourcing is yet to assume the status of an established practice in Indian banks. It is likely that on advancing in computerization efforts, the cost centers could be identified by banks as the candidates for outsourcing in future.

6. Transforming data into knowledge

Information is defined, as the data that have evaluated in such a way that facilitates decision making or that narrow down the possibilities about which the decision maker is ignorant. IT is seen as the set of non-human resource whose tasks encompass storage, processing and communication of information. It includes the manner in which these resources are organized into a system capable of carrying out a task or a set of tasks. It is a combination of hardware and software. IT is equipment and ancillary resource that converts or combines basic raw material inputs to produce a new product adding new value in the process. In a nutshell, IT is used as measure of artificial intelligence (A1). Converting data into information is the first step followed by recognizing the strength of information for the purpose of knowledge management. Information and knowledge it generates are the key resources. The thrust of IT is on transforming data into knowledge.

Compared to developed countries, the development of IT itself is at a slower speed in Indian banks due to a variety of reasons. While recognizing that some banks have decided to go ahead in the areas of data warehousing and data mining, graduating to the level of transforming data into knowledge seems to be a distant dream for Indian banks. The volume and complexity of data, far flung network of branches across the country, communication issues, limitations on the capital expenditure spending, hesitation from the employee organizations and attitudinal issues are the aspects that come in the way to achieve speedier implementation of IT initiatives and corollaries thereto.

7. Distinctive edge

It is always said that many use but a few make use of IT. Historically, the emphasis is on using IT for large volumes like payrolls, balancing of books, reconciliation, etc. The realization on having IT as matter of competitive edge has come about very lately. It is recognized that customer service is not an easy thing to provide but IT is used as a means. It does give value addition and creates a barrier for competitors to enter. Banks understand that the cost of cultivating a new customer is 5 to 6 times of retaining an old one. Customers normally switch banks due to poor service. The appreciation of these facts has compelled the banks world over to look up IT as an instrument to create a distinctive edge over competitors.

The private sector banks that were established in the nineties as a part of the financial sector reforms did make good use of IT to have an edge over the others. The foreign banks operating in India have also been able to market IT superiority as a distinctive edge. The public sector banks are still to make use of IT in this regard although they are blessed with huge information base all across the country. While steps are mooted in this direction by leading public sector banks, more offensive postures are necessary.

8. IT as profit center

In the embryonic phases, IT was looked upon a means to get rid of high processing costs and time and to convert the manual operations with high volume/low complexity into mechanical one. With the evolutionary process, it was seen as the best means of generating MIS (Management Information System). The same approach gave the status of DSS (Decision Support System) to IT. All along, it has been recognized as a service function in Indian banks. However, the new trend that is emerging is considering IT as profit center. The cost benefit analysis of having IT or otherwise is one part, but having IT set up to generate income for the organization is a new beginning. Getting jobs from outside the bank for processing data and the like are the current trends. The outsourcing done by others is the business catered to by these organizations.

The trend of this kind is not observed in Indian situation particularly in banks. The banks have been able to just manage what is considered as their responsibility as IT service within the individual banks.

CONCLUSION

Indian public sector banks that hold around 75% of market share have taken initiatives in the field of IT. They are moving towards the centralized databases and decentralized decision making processes. They possess enviable quality manpower. Awareness and appreciation of IT are very much there. What is needed is a 'big push', the way it was given in the post-nationalization period for expansionary activities.

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